CalPERS

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AGENDA ITEM 5

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

I. SUBJECT: Revision of Policy on Supplemental Income Plans CalPERS Risk-Based and Target Retirement Date Funds Policy to change policy target ranges

II. PROGRAM: Supplemental Income Plans

III. RECOMMENDATION: Recommend to the Investment Committee approval of the revised Statement of Investment Policy for Supplemental Income Plans CalPERS Risk-Based and Target Retirement Date Funds

IV. ANALYSIS:

This Policy establishes target allocations and ranges for the Risk-Based and Target Retirement Date Funds. It also seeks to ensure that any rebalancing is performed efficiently and prudently recognizing that allocations may temporarily exceed policy ranges due to extreme market volatility.

These Funds were offered to participants in the second half of 2008. Since then SIP staff have gained experience operating these funds during a period of unusually high volatility. Staff recommends widening the ranges for selected funds around existing policy targets to allow more flexible rebalancing. This is expected to reduce costs associated with rebalancing.

The specific changes to the ranges are shown in the attached policy. Wilshire's opinion letter is included in Attachment 2. The existing and recommended ranges for all of the funds are summarized below:

	Existing Ranges	Recommended Ranges
Global Equity	from +/- 4% to +/- 5%	from +/- 5% to +/- 6%
US Fixed Income	from +/- 1% to +/- 5%	from +/- 2% to +/- 5%
TIPS	from +/- 0% to +/- 2%	from +/- 0% to +/- 4%
Commodities	from +/- 1% to +/- 2%	from +/- 1% to +/- 2%
REITS	from +/- 0% to +/- 1%	from +/- 0% to +/- 2%

V. STRATEGIC PLAN:

This agenda item addresses multiple CalPERS Strategic Plan Goals including:

- Goal (VI), to administer pension benefit services in a customer-oriented and cost effective manner;
- Goal (VII), to enable and educate members and employers to make informed decisions leading to a predictable and secure retirement future; and,
- Goal (IX), to achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

There are no costs associated with this item.

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